

STATE OF IDAHO TAX UPDATE

VOLUME ELEVEN – NUMBER TWO

JUNE 1999



This issue of TAX UPDATE is devoted to new laws and other current topics. If you have questions about the material here, or if you need more information, contact any Idaho State Tax Commission office listed on the back of this newsletter.

NEW LAWS

Employees May Change Idaho Withholding

Employers may now offer employees a new way to increase the amount of Idaho income tax withheld from their paychecks. This will help employees who have a second job or income from another source and end up owing state tax when they file their Idaho returns at the end of the year.

Now employers may allow employees to change their Idaho withholding to claim fewer dependents than they do for federal withholding. This will increase

the amount of Idaho income tax withheld.

Although employees can claim fewer dependents, they are not allowed to claim more dependents for Idaho than they do for federal withholding.

To change their Idaho withholding, employees fill out federal Form W-4, Employee's Withholding Allowance Certificate, for their employer. On the bottom of the form, the employees should handwrite their request for fewer dependents for Idaho tax withholding.

Event Promoters Are Responsible for Sellers' Registration

Promoters of events are now responsible for making sure that sellers at the events are registered to collect Idaho sales tax. The requirement applies when an event includes at least two sellers and either (1) the sellers pay for the privilege of selling at the event, or (2) people attending the event pay an admission charge. Examples include swap meets, flea

markets, gun shows and craft sales.

The organizer of an event must have proof that the participating sellers have

either a temporary or regular Idaho seller's permit.

The Tax Commission may allow the organizer to issue permits to the sellers on behalf of the state.

A one-dollar income tax credit will be granted for each seller's permit issued.



Medical Savings Account Law Amended

The Idaho Medical Savings Account law was amended to explain what happens to the money in an account if the holder dies.

Starting Jan. 1, 1999, if the account transfers to the surviving spouse as the beneficiary, it is treated as if the account belonged to the surviving spouse. The money stays in the account and the spouse can use it to pay his or her medical expenses as well as those of any dependents.

However, if the account transfers to someone other than a surviving spouse, it ceases to qualify as a Medical Savings Account. The person who inherits the account may use it to pay the medical expenses of the deceased person. These expenses must be paid within a year of the account-holder's death. The remaining amount is taxable income to the recipient.

Married Couples Get Larger Deduction

In an effort to make the tax law more equitable, the Idaho Legislature gave married couples a break. Next year, couples who take the standard deduction on their state income tax return will notice the deduction has increased by \$150.

NEW LAWS

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- Medical Savings Account Law Amended
- Sales Tax Changes Affect Nonprofit Organizations
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- Married Couples Get Larger Deduction
- Income Tax Credits Expanded
- NOL Matches Federal Law

Sales Tax Changes Affect Nonprofit Organizations

Several 1999 legislative changes affect sales tax and nonprofit organizations. They include:

Exempt entities.

As of July 1, 1999, three organizations will be added to the list of entities that are allowed by law to make all their purchases exempt from tax. These organizations include the Children's Home Society of Idaho (also known as the Warm Springs Counseling and Training Institute), Idaho Community Action Agencies, and Idaho Primary Care Association and its community health centers.

While Idaho law does not include a general sales tax exemption for nonprofit organizations, specific entities are exempt from paying tax on their purchases. (They are listed in Idaho Code Section 63-3622O.) However, these entities must still collect and remit tax if they make retail sales.

Literature redefined.

Idaho law allows a nonprofit organization to buy and sell literature it publishes without imposing sales tax. In the past, literature was defined as written material. This definition has been expanded to include audio cassettes, videotapes, CDs, floppy disks and the like.

Admission to events.

Organizations that have nonprofit status under Internal Revenue Code Section 501 (c) (3) or Section 527 are now exempt from collecting sales tax on

admission to events that meet the following criteria:

- The event is not primarily commercial or for recreation;
- The value of the entertainment is minimal compared to the admission charge; and
- The nonprofit organization paid sales tax when it made purchases for the event.

Income Tax Credits Expanded

Two new laws affect credits that taxpayers receive for making contributions to worthy causes.

The Hope House Inc. and its foundation were added to the list of youth and rehabilitation facilities that qualify for a tax credit. This applies to donations made on or after Jan. 1, 1999.

Also, as of July 1, 1999, contributions to university-related research parks located in Idaho qualify as contributions to educational entities.

NOL Matches Federal Law

For tax years beginning on or after Jan. 1, 2000, a net operating loss will be carried back two years and forward 20 years. This makes Idaho law match the current federal law.

For tax years beginning Jan. 1, 1990 through Jan. 1, 2000, a net operating loss is carried back three years and forward 15 years.

Legislation also clarified that a loss cannot be deducted from Idaho income unless it is attributable to Idaho.

Nonresidents Owe Tax on Off-Highway Vehicles



Dealers who sell off-highway vehicles must collect Idaho sales tax on sales to nonresidents who take delivery in Idaho. This applies to boats, snowmobiles, ATVs and similar off-road equipment.

If an off-road vehicle is delivered by a dealer or a common carrier to a nonresident in another state, Idaho tax does not apply. The dealer must keep records to support the out-of-state delivery.

Some dealers have mistakenly allowed out-of-state customers to make purchases without paying sales tax if they fill out Form ST-104-MV, Idaho Sales Tax Exemption Certificate for Motor Vehicles. This form is only for on-highway vehicles (cars, trucks, transport trailers, etc.) and cannot be used for off-highway equipment.

Car Lessors Reminded to Collect Tax on Buyouts



Car leasing companies know that they must collect sales tax from their Idaho customers on rental or lease payments. (Out-of-state lessors also must comply with this requirement.)

But some lessors fail to collect tax when a lessee exercises an option to buy a motor vehicle. When the purchase option is made, the lessor must collect the sales tax.

The responsibilities of lessors are outlined in Idaho Sales Tax Rule 106. You can get a copy by contacting any Tax Commission office or by looking it up on the Internet at www.state.id.us/adm/admrules/rules/idapa35/0102.pdf. Scroll down the table of contents to rule 106 and click once.

Employers Grapple With New Forms

Are you a monthly filer confused by the new withholding forms? If so, you're not alone. Here are some issues we've identified from your calls and returns filed so far.

The image shows two forms from the Idaho State Tax Commission. Form 958 is the 'IDaho Income Tax Withholding Return' for the quarter ending 03-31-99. It includes fields for taxpayer information, withholding periods, and a section for 'Total tax withheld'. Form 910 is the 'IDaho Withholding Payment Voucher' for the same period, with a 'Payment Amount' field and a 'Mailing address change' checkbox. Both forms specify the taxpayer as '111 ANY STREET, PO BOX 0000, MY TOWN USA 00000-0000'.

At the beginning of each quarter monthly filers are sent three Form 910 payment vouchers and a Form 958 withholding return.

Form 910 payment vouchers: This form is filed each month, even if no payment is due. Each Form 910 identifies the month and quarter to which it applies. Write the amount due in the **payment amount** block (enter "0" if no tax is due) for that month and mail it with your payment. For the upcoming third quarter, the Forms 910 are due on Aug. 20, Sept. 20 and Oct. 20. And to make it even simpler, if you pay by Electronic Funds Transfer by these due

dates, no paper forms are necessary.

Withholding return: For the third quarter, Form 958 is due by Nov. 1 (you get an extra day since Oct. 31 is a Sunday). On it you report your payroll for the quarter, the amount you withheld each month, and the total amount

you paid on the Forms 910 you filed during the quarter. Just sign and file it by Nov. 1.

If you have paid the right amount on your payment vouchers each month, you won't owe anything more. If you do owe more, be sure to send payment.

Rounding: Be sure to round off to whole dollars on the payment vouchers, the Form 958 tax return **and your payments**. Round up to the next whole dollar if the amount is 50 cents or more, and down if the amount is 49 cents or less.

Internet Filing Offered for Idaho Withholding

If you're tired of filing paper forms, there is a new, easy way to file and pay your Idaho income tax withholding.

The Idaho State Tax Commission has approved NationTax Online to offer on-line filing services to Idaho employers via the Internet.

On-screen instructions guide you through the process for filing monthly payment vouchers and quarterly returns. The form is filed for you electronically, and your EFT payment is submitted to your bank on the day you select. NationTax Online charges a fee of less than a dollar for each transaction, with the first 60 days free.

You can see how the service works by accessing www.nationtaxonline.com

(NOTE: NationTax Online is an independent, for-profit company offering this service to employers. It is not an agent of the Idaho State Tax Commission, and the Commission is not responsible for its actions.)

Preprinted Coupons Save Time and Money

We all like to save time and money, so here's a reminder that may save you (and us!) some of both.

Be sure to use your preprinted cou-

pons when you're sending your periodic returns for withholding, sales tax and other permit-based taxes. That way, you save yourself the trouble of having to fill

out a blank coupon or trying to develop a reasonable facsimile of a preprinted one. And it saves us time (translation: taxpayer dollars) in processing your returns.

Don't Panic, Just Prepare for Y2K

State experts say there's no reason to worry about major disruptions brought about by the Y2K computer bug. (That's the problem with some computer software not recognizing the year 2000 and potentially causing things to go haywire.)

The Idaho Department of Administration and Idaho Bureau of Disaster Services held a meeting recently to assure state agencies that it will be pretty much business as usual when the clock strikes 12:01 on Jan. 1, 2000. Any disruptions should be minor and short-lived, spokesmen said.

In fact, their advice is to prepare for

Y2K just as you would for a winter storm or power outage. The experts recommend having flashlights, firewood and candles stored up, along with enough food to last three to seven days. Also, they say it's not necessary to have any more cash on hand than you would for a holiday weekend.

If you're a business owner, you can help prevent problems by making sure your equipment, software and systems are Y2K compliant. Also, you should develop contingency plans for dealing with possible malfunctions related to the Y2K bug.

The experts say predictions of gloom-

and-doom for Y2K frequently come from people or businesses that stand to benefit from an uninformed public. So stay informed, be prepared, and we'll get through the year 2000 transition with minimal disruption.

For more information, the Bureau of Disaster Services has an excellent Year 2000 Guidebook that can be downloaded to your computer at <http://www.state.id.us/bds/bds.html>.



Boise State University Shows Businesses How to Prevent Accidents



Would you like to know how to make your business free of accidents and injuries? If so, contact Boise State University's Safety and Health Consultation Program.

The consultation is designed to help business owners meet requirements of the Occupational Safety and Health Administration (OSHA). Your only obligation is to commit yourself to correcting

serious job safety and health hazards found during the consultation.

The free, confidential service is available by calling (208) 426-3283, faxing

(208) 426-4411, or mailing a request to: Boise State University, Safety and Health Consultation Program, 1910 University Dr., Boise, ID 83725.

Consultants will:

- Help you recognize workplace hazards
- Suggest options for solving safety and health problems
- Provide a written summary of their findings
- Help you develop or maintain an effective safety and health program, and
- Provide training and education for you and your employees.

Where To Get Information

If you would like to know more about Idaho state taxes, call the Idaho State Tax Commission toll free at 1-800-972-7660 or contact any of the offices listed below:

Boise

800 Park Blvd., Plaza IV
(208) 334-7660

Pocatello

611 Wilson St., Suite 5
(208) 236-6244

Twin Falls

1038 Blue Lakes Blvd. N, Suite C
(208) 736-3040

Coeur d'Alene

1910 Northwest Blvd.,
Suite 100
(208) 769-1500

Lewiston

1118 F Street
(208) 799-3491

Idaho Falls

150 Shoup Ave., Suite 16
(208) 525-7116



HEARING IMPAIRED CALLERS:

Use the Idaho Relay Service (1-800-377-3529) to reach any Tax Commission office listed above.

Costs associated with this publication are available from the Idaho State Tax Commission in accordance with Section 60-202, Idaho Code.

TAX UPDATE is published quarterly and mailed to all sales and use tax account holders with their tax return forms. Unless otherwise noted, information in TAX UPDATE applies only to Idaho taxes. This newsletter is designed to provide general information only, and is not intended to offer comprehensive explanations of Idaho tax laws and rules. Specific questions should be addressed to the nearest State Tax Commission office. Comments about TAX UPDATE and suggestions for future issues should be sent to:

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This issue of Tax Update deals with:
NEW LAWS & OTHER CURRENT TOPICS

IDAHO STATE TAX COMMISSION

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